Review of the City of Edmonton's
Corporate Procurement Card Program
May 29, 2006

This page is intentionally blank.

Table of Contents

This page is intentionally blank.

Review of the City of Edmonton's Corporate Procurement Card Program

Executive Summary

The City of Edmonton's corporate procurement card (CPC) program has been in place since 2000. It allows City employees to make low-value purchases with a City-issued credit card. The purpose of our review was to determine whether the City's goals in implementing the CPC program are being accomplished and to provide assurance that the program is adequately controlled.

The City's CPC unit is responsible for CPC issuance and compliance monitoring. The OCA's review confirmed that the CPC unit obtained and maintained appropriate authorizations before issuing CPCs, conducted training for cardholders and supervisors, reviewed support documentation for each of the cardholder's CPC transactions, and took prompt action when there were lost or stolen cards. The CPC unit also ensured that no interest was paid on the monthly consolidated CPC statements, making the City eligible for cash rebates from the bank when CPC purchases reached a certain dollar threshold.

The OCA's review confirmed that there is a high level of compliance regarding cardholder reconciliation of receipts to cardholder statements, supervisory review and approval of each transaction, and the provision of receipts to support the City's payment of the transaction. Further, the OCA did not detect any fraudulent purchases. However, to further strengthen the program, the OCA recommends that the City clarify what constitutes appropriate support documentation for CPC purchases, reinforce that personal purchases–even if subsequently reimbursed by the cardholder–are a violation of purchasing policy, and provide up-to-date guidance on items that cannot be purchased using a CPC.

The OCA determined that improvements can be made with respect to CPC monitoring and control. First, supervisors must be held accountable for approving inappropriate use of the card (personal, prohibited or split purchases) or approving purchases without documentation. Second, Materials Management can play a greater role in educating clients about the proper procurement method when the CPC unit detects split purchases.

The OCA's research of five Canadian corporate procurement card programs (4 municipal and 1 provincial) found that the programs either do not allow restaurant, hosting, entertainment or gift expenses to be purchased using corporate credit cards or they have appropriate guidance in place to define acceptable parameters. The City of Edmonton needs to adopt this best practice and provide clear corporate guidance for all in-town restaurant and catering expenses as well as gift card purchases.

The CPC program is meeting its goal of providing an efficient and cost effective method of acquiring and paying for low value goods and services. CPCs are now the primary

purchasing method for low-value purchases, with almost 70 percent of low-value purchases made with CPCs.

Review of the City of Edmonton's Corporate Procurement Card Program

1.   Introduction

Corporate procurement cards (CPCs) are credit cards issued by a financial institution that are used by approved cardholders for the purchase and payment of low value goods and services. The CPC is a useful purchasing method but must be properly controlled. CPCs carry additional risk compared with most other purchasing methods because approval occurs after the purchase has been made, rather than before.

The Office of the City Auditor (OCA) scheduled a review of the City's CPC program as part of the OCA's 2006 Annual Work Plan. The purpose of the review was to determine whether the City's needs are being met and to provide assurance that the program is adequately controlled.

2.   Background

Traditionally, the City has used low value purchase orders (L-orders) to purchase goods and services valued up to $5,000 including GST and freight. L-orders involve obtaining a purchase order number prior to the purchase of the good or service, which signifies approval of the purchase and commitment of City funds. Once the good or service is received and reconciled with the invoice, the vendor's invoice is paid.

In 2000, the City launched the CPC program with the objective of simplifying the procurement of low value goods and services used in the delivery of City services. The implementation of the CPC program was intended to achieve the following benefits:[1]

- Reduce costs in purchasing and accounts payable
- Provide more timely payment to vendors
- Accelerate order placement and receipt
- Simplify receiving procedures for card purchases
- Provide faster, more productive resolution of purchase disputes
- Reduce overall transaction processing charges
- Meet customer needs simply and directly

The CPC unit was formed within Accounts Payable (Finance Branch, Corporate Services Department) to administer the program. Two documents were created to provide the necessary structure to the program: *CPC Procedures* and *CPC Process Description*. The *CPC Procedures* outline the responsibilities of cardholders, supervisors, CPC Administrator, the Director of Materials Management and other

---

[1] Corporate Procurement Cards Implementation Project Charter, November 20, 2000.

relevant parties. The *CPC Process Description* defines appropriate use of the card, how the cardholders are to reconcile their purchases against their monthly statement, and the consequences of non-compliance to the process.

All cardholders must adhere to the following practices:

- Only the cardholder can use the card,
- The card must be used for acquiring only low-value goods and services for City business purposes,
- Goods and services must be available for immediate delivery (i.e., no back-orders are permitted), and
- All purchases must be within the cardholder's predefined transaction and monthly limits.

To meet the varied needs of the corporation, the CPC program offers four different types of CPCs: standard cards, ghost cards, temporary travel cards, and fleet cards. Standard CPCs are the most common card issued and have the fewest limitations. Ghost cards are restricted to specific vendors and merchandise types (e.g., stationery, vehicle parts for fleet maintenance). Temporary travel cards are issued to employees who do not have a standard CPC, but who require a CPC for business-related travel expenses. The temporary travel card is cancelled at the end of the travel period. Fleet cards are used to purchase fuel only and have much lower transaction and monthly limits than other CPCs.

Unlike L-orders, approval for CPC transactions occurs after the purchase is made. Therefore, effective risk mitigation requires different controls. The CPC program has undergone a variety of reviews to ensure that appropriate controls are in place. Prior to the full roll-out of the program in 2000, the City undertook pilot projects in various City departments. These pilot projects were reviewed by the City's former Internal Audit Service in 1995 and 1997 and by the OCA in 1999.

In 2004, at the request of the Corporate Service Department, the OCA tested and confirmed that cash advances were not possible using the CPC card. That same year, the OCA also participated in a review of the technology conversion from Smart Data to Details On-Line software to ensure that CPC controls would not be compromised.

3.   Objectives

The objectives of the CPC Review were to:

1. Determine the level of cardholder compliance to City directives and procedures.

2. Ensure that appropriate and effective monitoring and approval procedures are in place.

3. Review the overall effectiveness, efficiency, and economy of the CPC program.

4.   Scope and Methodology

In preparation for the review, the OCA examined audit reports from municipalities across North America to determine common risks in similar programs. The OCA also contacted four Canadian municipalities and the government of Alberta to learn their controls and administrative structure for their corporate procurement card programs.

The OCA's review encompassed all cardholders under the CPC unit's administration, which includes City Departments, the Offices of the City Manager, the City Auditor, the Mayor and City Councillors, and all types of cards (standard CPCs, ghost cards, temporary travel cards, and fleet cards).

To ascertain cardholder compliance with the *CPC Process Description* and other guiding documents as applicable (e.g., the *Employee Travel Procedure - A1415F*), the OCA selected random samples from the population of CPC transactions completed between October 1, 2004 and September 30, 2005. The OCA also used auditing software to examine the entire population of transactions for violations of purchasing policy, which would include personal purchases, split purchases, and prohibited purchases.

The OCA evaluated whether supervisors were providing the required monitoring and control over cardholders' purchases, and assessed the roles of the CPC unit and Materials Management in providing corporate monitoring and control. The OCA also assessed the CPC unit's administration of the CPC program by reviewing CPC application files, evaluating the card issuance process, assessing the security of data, and determining whether interest was being paid on purchases.

As a final step, the OCA conducted a high-level review of the overall effectiveness, efficiency and economy of the program. As part of the review of program effectiveness, the OCA examined L-order and CPC use over a five-year period. To assess the efficiency of the program, the OCA examined the various steps involved in making and approving a purchase though both L-orders and CPCs. Lastly, to evaluate the economy of the program, the OCA completed a basic costing analysis of L-orders and CPCs.

5.   Observations and Analysis

As of November 30, 2005, 1000 CPCs were active.[2] From October 1, 2004, to September 30, 2005, cardholders completed over 59,000 transactions with a total expenditure of $13.9 million. The average transaction value was $291.

Overall, the program is functioning as intended, with no evidence of fraudulent transactions. The CPC unit is performing its role well, ensuring that the integrity of the program is maintained.

---

[2] The breakdown is 712 regular cards, 269 ghost cards, 4 temporary travel cards, and 15 fleet cards.

The OCA's recommendations will strengthen the existing framework of the CPC program. The complete list of recommendations appears in section 7 of the report.

5.1.   Cardholder Compliance

The OCA's testing confirmed that the majority of cardholders are conducting timely review of CPC transactions, providing purchase receipts, and providing descriptions of purchases. However, the OCA would like to see increased cardholder compliance to guiding documents concerning the type and value of purchases made, as well as the quality of support documentation provided.

5.1.1.   Cardholder Transaction Review

Timely review of cardholder purchases is important because it allows for incorrect charges to be promptly addressed. The City requires that cardholders review and reconcile their charges every month.

In a random sample of 100 transactions, the OCA confirmed that cardholders achieved a high compliance rate of 96 percent for cardholder review. The OCA also reviewed a sample of disputed charges[3] that cardholders detected during their monthly reviews. The cardholders and the CPC unit worked together to ensure that the disputed charges were removed from the City's consolidated CPC statement.

5.1.2.   Purchase Value

Purchasing procedure A1439 states that the City will make every effort to tender goods and services that are over $5000 or, where this is not feasible or practical, it will justify its sole-sourcing decisions in writing. The procedure helps ensure that the City of Edmonton purchases goods and services fairly and based on best value.

Each CPC has an automated transaction limit to prevent cardholders from making an individual purchase higher than the limit set by the cardholder's supervisor (to a maximum of $5000). However, it is possible for cardholders to circumvent this control by asking vendors to process the payment of high-value purchases as multiple lower-value transactions (i.e., one invoice, several CPC transactions). This is termed "purchase-splitting" and is prohibited in *CPC Process Description* and *CPC Procedures*.

For the year under review, the OCA detected seven instances of purchase-splitting. The value of these purchases ranged from $2469.56[4] to $23,005.00. All purchases were for legitimate City business. Although purchase-splitting was not prevalent, it is a violation of the City's stated purchasing practice regarding fairness and best value, as well as delegated authority. The OCA believes that both the cardholder and the supervisor must be held accountable for such violations. *(OCA Recommendation #1a)*

---

[3] Disputed charges are transactions that the cardholder has not authorized.
[4] Cardholder transaction limits ranged from $1000 to $5000.

5.1.3.   Prohibited Items

The *CPC Process Description* states that cardholders cannot use their CPCs to purchase certain items. The list of prohibited items includes those from the City's restricted items list, as well as items particular to the CPC program. Prohibited items include furniture, hazardous goods, computers and related products, and items available on outline agreements[5] (see Appendix A for a complete listing). The rationale for these exclusions is based on the type of risk the item creates for the corporation or the benefit from economies of scale in purchasing.

In the sample of 100 transactions tested, 11 purchases were for prohibited items (e.g., items available on outline agreements, automotive fuel, inter-departmental billing, and furniture). When performing a targeted review of purchases by vendor type, the OCA also detected purchases of computer related items and furniture that should not have been purchased using CPCs.

There is some latitude regarding what is considered a prohibited item. For example, cardholders can use their CPC to purchase an item available on an outline agreement, as long as they obtain an equivalent price. This can create confusion for purchasers and limits the ability of the City to effectively monitor compliance. The City needs to provide clear guidance regarding what items are prohibited and provide appropriate rationale. *(OCA Recommendation #2a)*

5.1.4.   Personal Expenses

The *CPC Process Description* states that cardholders cannot use their CPCs for personal purchases. This is also reinforced in the City's Travel Procedure *A1415F*, which states that any travel expenditures by an employee's spouse, companion or family members are the responsibility of the employee and must not be charged to the CPC.

Although the OCA did not detect any fraudulent purchases, our review did indicate that cardholders are using the card for personal purchases for convenience and then reimbursing the City for their purchases. This practice occurred at all levels within the organization. Given that the CPC has a picture of City Hall and the City of Edmonton logo, the potential to adversely impact the City's reputation is high when the CPC is used in person for purposes outside of City business. There are also additional costs to the City for tracking such purchases and ensuring repayment.

The *CPC Process Description* states that personal purchases will be investigated; however, it does not explicitly address whether or not a non-compliance notice will be issued if a cardholder voluntarily admits to the purchase and immediately reimburses the City (see Appendix B). The OCA believes that the prohibited use of CPCs for personal purchases must be strictly enforced. *(OCA Recommendation #1b)*

---

[5] Outline agreements are purchasing agreements with vendors that outline the price of goods, based on anticipated volumes.

5.1.5.   Receipts

Receipts are the only means by which the City can confirm that purchases are appropriate and they are the necessary source documents for the City's GST rebate application. The *CPC Procedures* require that cardholders provide an original receipt[6] and ensure that the GST is clearly identified. Currently, it is not a requirement of the CPC program to require detailed receipts.

To allow for appropriate monitoring and control of purchases, receipts should ideally include the following information: vendor, date, line item description, unit price and quantity, total price, GST, and GST number. However, some vendors provide two documents when a purchase is made: 1) a cash register receipt which contains details of the purchase, and 2) a credit card authorization slip, which specifies only the total amount to be paid to the vendor on the cardholder's behalf, but no purchase description or other details. Therefore, the credit card slip does not contain the requisite information to allow for appropriate control.

In the OCA's sample of 100 transactions, only one receipt was missing, which would indicate a high level of compliance for receipt provision. However, in the sample the OCA observed that four of the receipts provided were actually credit card authorization slips. The OCA also reviewed an additional random sample of CPC transactions made by senior level staff. It found that almost half of the receipts provided were credit card authorization slips.

Improved guidance is required to ensure that cardholders are providing the appropriate documentation and that supervisors are approving transactions based on appropriate documentation. *(OCA Recommendation #2b)*

If the receipt is lost, the cardholder should be required to itemize the purchase to justify the City's payment. *(OCA Recommendation #1c)*

5.1.6.   Purchase Descriptions

Purchase descriptions are not mandatory, but they are important because they provide an on-line record of the items purchased. They also assist the supervisor in assessing the appropriateness of the purchase and improve the quality of information in the CPC management information reports that the CPC unit provides to General Managers.

With ghost card transactions, the vendors' systems automatically populate the CPC database with a description of the purchase. For non-ghost-card transactions (e.g., regular, travel and fleet cards), cardholders must input purchase description themselves into the CPC database.

---

[6] The *CPC Procedure* defines a receipt as "the original supporting documentation received from a vendor at the time of a purchase (i.e. cash register receipt, invoice, etc)."

Although the purchase description is not a mandatory field in the CPC database, the OCA confirmed through its auditing software that the vast majority of cardholders (96 percent) provide purchase descriptions in the CPC database for non-ghost card transactions. This compliance rate is quite high.

Of concern, however, is the nature of the purchases for which cardholders typically failed to provide descriptions: restaurants, stationery and industrial supplies. Such purchases, in particular, carry more risk due to the possibility of making inappropriate or prohibited purchases. Therefore, the importance of providing the context for all purchases should continue to be reinforced.

5.2. CPC Monitoring and Control

This audit objective was to ensure that appropriate and effective monitoring and approval procedures are in place. There are three levels of monitoring for cardholder purchases: supervisory, departmental and corporate. Effective monitoring and control is necessary to ensure that both operational and corporate goals are being met.

5.2.1. Supervisor and Departmental Monitoring and Control

Monitoring and control by the cardholder's supervisor is vital because it allows the supervisor to apply the "business sense" to CPC purchases, ensuring that they are for appropriate items and in appropriate volumes. The cardholder's department provides additional oversight through monitoring information reports and seeking additional information as necessary.

There are two aspects to effective supervisory control: timeliness and quality of review. Timely supervisory review of transactions is essential to allow prompt action if the purchase is deemed inappropriate for any reason. Our sample of 100 transactions showed a high level of compliance (94 percent) where supervisors completed their review and approvals by the deadline. The CPC unit then followed up to ensure that the remaining 6 percent completed their review and approvals within the month.

With respect to the quality of review, the *CPC Procedures* require that the cardholder's manager/supervisor will "confirm that all transactions incurred are legitimate, accurate, and accounted for and properly supported by vendor invoices and related transaction slips." However, as noted earlier in this report, some supervisors are approving transactions without adequate supporting documentation (section 5.1.5), some are approving cardholder's personal transactions providing that the City is immediately reimbursed (section 5.1.4), and others are allowing split purchases and the purchase of prohibited items (sections 5.1.2 and 5.1.3).

Current guidance only requires that the CPC unit currently issue non-compliance notices to cardholders; it does not require that the CPC unit issue a non-compliance notice to the supervisor for approving the transaction. Since CPC purchases commit budgeted City funds, supervisors should be held accountable when they approve transactions that are inappropriate (personal, prohibited and split purchases) or lacking appropriate receipts. *(OCA Recommendation #1a)*

5.2.2.   Corporate Monitoring and Control – CPC Unit

The CPC unit is responsible for administration of the CPC program as outlined in the *CPC Procedures* document. Staff showed a high level of commitment to maintaining the integrity of the program, with the OCA's review confirming the following:

♦ All required information and approvals exist for new CPC applications and subsequent changes.

♦ Only active employees (not former or non-employees) are users of CPC cards.

♦ Each transaction is reviewed to ensure that the cardholder has reviewed it, the supervisor has approved it, and that supporting documentation matches with regard to the vendor, date, GST, and total purchase price.

♦ All documents, forms, records and transaction slips are retained by the unit after cardholder reconciliation activities.

♦ Information, records and CPC cards are stored in a manner that is secure from unauthorized access/use.

♦ The monthly consolidated CPC statement is paid by the specified due date, ensuring no interest is paid.

♦ Lost and stolen cards and disputed transactions are followed up and resolved on a timely basis.

♦ Quarterly information reports are sent to departments, which detail the expenditures made, to assist with their departmental monitoring and control.

The *CPC Procedures* require the CPC unit to perform routine checks and periodic random sample audits to detect possible violations in CPC use. If required, the CPC unit is to issue a non-compliance notice (see Appendix B). For continued non-compliance, an escalation process is followed unless the issue is severe and requires immediate suspension of a card (see Appendix C).

Whenever possible, the CPC unit prefers to work with business areas to improve compliance and issues non-compliance notices when other efforts have failed. During the year under review, the CPC unit issued ten non-compliance notices: three for non-review, two for non-approval, four for failing to provide receipts, and one for purchase-splitting. No notices were issued for prohibited purchases or personal purchases.

Determining non-compliance for prohibited-item purchases is a challenge for CPC staff because the City permits employees to purchase prohibited items under certain circumstances. Therefore, when a CPC unit staff member detects a prohibited item purchase, additional work is required to determine whether the cardholder was actually in non-compliance. Therefore it is an inefficient method of monitoring compliance and the CPC unit should work with Materials Management to develop a more efficient and effective method. *(OCA Recommendation #2a)*

The CPC unit's existing policies and procedures will require updating to reflect the changes resulting from this review.

5.2.3. Corporate Monitoring and Control – Materials Management

The *CPC Procedures* state that the Director of Materials Management is to periodically review historical CPC transactions to determine if the City should negotiate or tender outline agreements with specific vendors. This monitoring helps to ensure that the City receives the best possible financial and operational benefits.

Our review confirmed that the Director of Materials Management conducts annual reviews of the dollar volume of CPC transactions by vendor. The review is performed to determine if corporate outline agreements would provide significant financial benefits. Therefore, the onus is generally on business units to approach Materials Management if they believe that they could benefit from outline agreements of a smaller scale.

The OCA believes that Materials Management should also play a role in addressing purchase-splitting. The CPC unit's role is to monitor compliance and issue notices; however, Materials Management should take an active role to assist departments in using the appropriate purchasing method when purchase-splitting is detected. This exchange would also provide meaningful feedback to Materials Management on some of the purchasing challenges that departments encounter. *(OCA Recommendation #3)*

5.3. Corporate Guidance

Many of the municipalities that the OCA contacted do not allow restaurant, hosting, entertainment or gift expenses to be purchased using corporate credit cards because such purchases carry greater risk. However, the municipalities that do allow such purchases on corporate credit cards also ensure that policies are in place to clearly define acceptable parameters.

The OCA's review highlighted two types of purchases where guidance is required for City employees. This guidance should apply to all purchasing methods.

In-Town Restaurant and Catering Expenditures
The City of Edmonton currently does not provide guidance for restaurant and catering expenditures made within the city. The related expenditures identified during the review include working lunches, lunch during training sessions and full-day meetings, and staff recognition events.

The City provides guidance for out-of-town hosting through *Employee Travel Procedure A1415F*, which requires that employees include the names and titles of individuals hosted, as well as the reason on the receipt. The travel procedure also forbids reimbursement of alcoholic beverage expenses and limits tipping to a maximum of 15%. Further, the City Manager or designate may approve meal expenses that exceed prescribed maximum dollar values, but only with written justification.

To effectively guide purchase decisions, such guidance is also required for in-town restaurant and catering expenditures (e.g., for working lunches), including appropriate use and dollar limits. *(OCA Recommendation #4)*

Gift Certificates

Gift certificates/cards involve increased risk in that they are another form of cash. Various business areas within the City use their CPCs to purchase gift certificates as part of their staff recognition programs.[7] Appropriate procedures need to be in place to ensure that the gift certificates are properly inventoried, stored and distributed. *(OCA Recommendation #2c)*

5.4. CPC Program Efficiency, Economy, and Effectiveness

The OCA conducted a high-level review of the program with regard to its efficiency, economy (i.e., cost-effectiveness) and overall effectiveness.

5.4.1. Program Efficiency and Economy

The purpose of the CPC program is to provide an efficient and cost effective method for acquiring and paying for low value goods and services.

The OCA's analysis confirmed that CPC is an efficient and economical method for making low-value purchases. The CPC process involves fewer steps and fewer hand-offs compared to more traditional purchasing methods, such as L-orders. Economy can be demonstrated by factoring in the reduced number of process steps, the reduction in cheque production and mailing, and the cash rebate that the City receives from the bank as part of the CPC program.

Based on the volume and value of CPC transactions in 2005, the introduction of the CPC program has provided a derived benefit to the city totaling approximately $127,000. This derived benefit consists of $102,000 in avoided staffing costs due to fewer process steps as well as the significant reduction in postage and cheque processing fees. This avoided cost has allowed the City to handle the increase in additional purchases volumes without increasing resources. In addition, the City received a rebate from the bank of approximately $25,000.
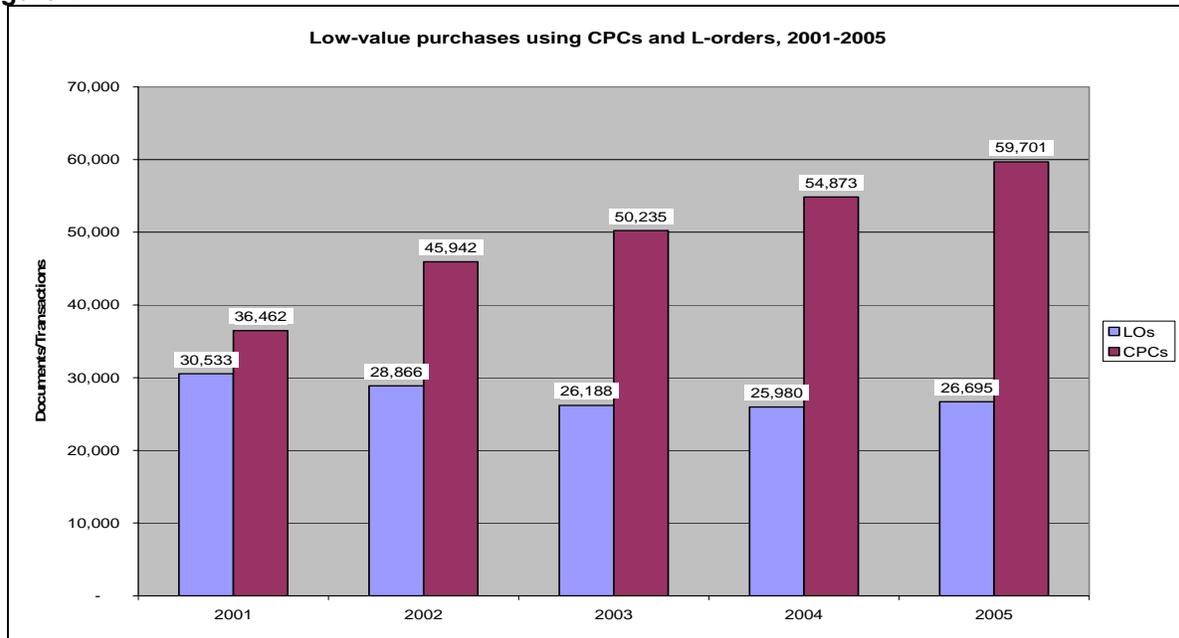
The CPC rebate is based on total expenditures and as a result has the potential to increase further. As total CPC expenditures increase, higher thresholds are reached and the rebate will increase. Therefore, there is a financial benefit to the City in encouraging the use of the CPC to make purchases compared to other, more expensive methods, where appropriate.

5.4.2. Program Effectiveness

The CPC program is meeting its goal of providing an efficient and cost effective method of acquiring and paying for low value goods and services. CPCs are now the primary purchasing method for low-value purchases, with almost 70 percent of low-value purchases made with CPCs (Figure 1).

---

[7] The OCA did not evaluate the compliance of these purchases to department staff recognition programs.

Figure 1

Low-value purchases using CPCs and L-orders, 2001-2005

Source: Accounts Payable, City of Edmonton.

As the above chart indicates, L-orders continue to be used by the City. Although L-orders are a more expensive purchasing method compared to CPCs, they may be the most appropriate method when pre-purchase approvals are important, as well as when products are on back-order or when SAP order-tracking is required.

6.   Conclusion

The City's CPC is a useful purchasing method if properly controlled. It allows for more timely purchase of low-value items, reduces costs, and provides more timely payments to vendors. However, unlike L-orders, CPC purchases are approved after the purchase is made, requiring different controls to effectively mitigate risk.

The OCA's review did not detect any instances of fraudulent use. It also confirmed that a high level of compliance exists with regard to the cardholder review and supervisor approval of CPC purchases. Cardholder compliance can be improved, however, with respect to prohibited items and provision of adequate receipts. The OCA believes that this can be accomplished through better guidance, increased monitoring, and increased accountability for supervisors.

The CPC program is an efficient and cost-effective method of acquiring and paying for low value goods and or services. It has allowed the City to increase volume without increasing resources. Our analysis shows that CPCs now represent almost 70 percent of all low value purchases.

The OCA extends its thanks for the cooperation it received from the CPC unit and the Administration throughout this review.

7.   Recommendations

Recommendation 1	Management Response and Action Plan
The OCA recommends that the CPC unit:	**Accepted**
a. Issue non-compliance notices to supervisors who approve transactions that are inappropriate or lacking appropriate documentation.	Comments: a) The CPC unit will commence the issuance of non-compliance notices to supervisors approving transactions that are inappropriate or lacking documentation upon communicating the procedural changes to the users.
b. Issue written notices to cardholders who use their CPCs for personal expenses.	b) The CPC unit will commence the issuance of written notices to cardholders who use their CPC's for personal expenses upon communicating the procedural changes.
c. Require that, when cardholders cannot produce appropriate receipts, they provide a written, supervisor-approved record detailing the purchase.	c) The CPC unit will ensure that appropriate documentation detailing the purchase are approved and submitted to the CPC once the procedural changes are communicated to the users. Planned Implementation: July 2006. Responsible Party: Director Treasury Management & AP & AR Manager.

Recommendation 2	Management Response and Action Plan
The OCA recommends that the Finance Branch: a. Update guiding documents for prohibited items and determine the best way to monitor compliance. b. Clarify what constitutes an adequate receipt. c. Provide guidance to employees regarding how to implement adequate controls for inventorying, safeguarding and distributing gift certificates.	**Accepted** Comments: a. The Finance Branch will update the guiding documents, place on the City's web site and advise all cardholders. A compliance monitoring process will also be established. b. The CPC unit will ensure that existing documentation is updated, describing what constitutes an acceptable receipt, upon communicating the procedural changes to the users. c. The Cash Consulting unit of the Treasury Division will ensure the Cash Handling Directive is updated. Planned Implementation: Items a & b July 2006; item c September 2006. Responsible Party: Item a, Directors of Treasury and Materials Management. Items b & c, Director of Treasury.

Recommendation 3	Management Response and Action Plan
The OCA recommends that Materials Management educate departments on appropriate procurement methods when the CPC unit detects instances of purchase-splitting.	**Accepted** Comments: Materials Management representatives will ensure appropriate education is provided to CPC card holders and their supervisors when the CPC unit detects instances of purchase- splitting. Planned Implementation: Implementation can begin immediately. Responsible Party: Director, Materials Management.

Recommendation 4	Management Response and Action Plan
The OCA recommends that the City Manager provide guidance to employees regarding in-town restaurant and catering expenditures, including appropriate use and dollar limits.	**Accepted** Comments: The Corporate Services Department will draft guidelines for in-town employee hosting, entertainment and catering expenses for consideration by the Senior Management Team. Planned Implementation: December 2006. Responsible Party: Branch Manager, Business Enterprise Services, Corporate Services.

Appendix A: Prohibited Items

CPC's *cannot* be used for:
• Personal expenses,
• Furniture or Fax Machines,*
• Brochures, Forms, Printed Matter,*
• Chemicals or Hazardous Products,*
• Computer Hardware/Software or related equipment,*
• Safety and Protective Equipment,*
• Automotive Fuel (MES fuelling depots are to be used except outside of the Edmonton area),*
• Paying other City Departments for services (Interdepartmental Billings),
• Goods in stock at City Stores or available on Outline Agreements,*
• Purchases that are subject to Non-Resident Withholding Tax,
• Purchases in excess of transaction limits, and
• Where the risk to the City is such that insurance or other conditions are required as a part of the transaction. *

Source: *CPC Process Description*, revised March 10, 2004.

* Incorporated from the City's Restricted Items List, revised January 22, 2004.

Appendix B: Consequences of Non-compliance

Non-compliance Issue	Consequence
Failure to Provide Original Documentation (Receipts)	▪ Written notice will be given to the Cardholder. ▪ Continued non-compliance will result in the suspension of the card.
Split Purchases to Avoid Card Limits	▪ The card may be suspended. ▪ Cardholder is required to obtain additional training on the CPC Program.
Untimely Review/Verification	▪ Written notices will be given to the Cardholder and Approver. ▪ Cardholder is required to obtain additional training on the CPC Program. ▪ Continued non-compliance will result in the suspension of the card.
Untimely Approval	▪ Written notices will be given to the Approver and their Supervisor. ▪ Approver is required to obtain additional training on the CPC Program. ▪ Continued non-compliance will result in the suspension of the card(s) under their approval.
Prohibited or Inappropriate Purchases (Restricted Items List – Procedure No. 18)	▪ Written notice will be given to the Cardholder and Approver. ▪ Cardholder is required to obtain additional training on the CPC Program. ▪ Continued non-compliance will result in the suspension of the card.
Personal Purchases	▪ The City of Edmonton will be reimbursed immediately. ▪ The card may be suspended. ▪ An occurrence will be investigated and could result in disciplinary action under Administration Policy A1100B – Employee Code of Ethics.
Note: The consequences of the non-compliance will be based on the severity of the incident.	

Source: *CPC Process Description*, revised March 10, 2004.

Appendix C: Non-compliance Escalation Process

	Cardholder Notices	**Approver (Supervisor) Notices**
First Occurrence	▪ A notice will be sent to the Cardholder advising of non-compliance and providing them with an opportunity to correct their actions. ▪ A copy of the notice will be sent to the Supervisor as information	▪ A notice will be sent to the Approver, advising of non-compliance and providing them with an opportunity to correct their actions. ▪ A copy of the notice will be sent to the Approver's Supervisor as information.
Second Occurrence	▪ A notice will be sent to the Cardholder and escalated to their Supervisor advising of possible suspension following next occurrence. The Cardholder is provided with a second opportunity to correct their actions. ▪ A copy of the notice will be sent to the Treasury Mgmt. Director, appropriate Finance Business Partner, and Operating Branch Manager as information.	▪ A notice will be sent to the Approver, and escalated to their Supervisor advising of possible suspension of affected cardholders following next occurrence. The Approver is provided with a second opportunity to correct their actions. ▪ A copy of the notice will be sent to the Treasury Mgmt. Director, appropriate Finance Business Partner, and Operating Branch Manager as information.
Third Occurrence	▪ A notice will be sent to the appropriate General Manager recommending that privileges be suspended. The General Manager will make the final decision regarding the suspension of the card. ▪ The Cardholder and their Supervisor will be sent the notice as well, providing them with an opportunity to justify the non-compliance prior to the decision to suspend. ▪ A copy of the notice will be sent to the Treasury Mgmt. Director, appropriate Finance Business Partner, and Operating Branch Manager as information.	▪ A notice will be sent to the General Manager recommending that privileges of the affected cardholders be suspended. The General Manager will make the final decision regarding the suspension of the card(s). ▪ The Approver and their Supervisor will be sent the notice as well, providing them with an opportunity to justify the non-compliance prior to the decision to suspend. ▪ A copy of the notice will be sent to the Treasury Mgmt. Director, appropriate Finance Business Partner, and Operating Manager as information.

Source: *CPC Process Description*, revised March 10, 2004.